

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (E 338-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs.

Application 00-11-038
(Filed November 16, 2000)

Emergency Application of Pacific Gas and Electric Company to Adopt a Rate Stabilization Plan. (U 39 E)

Application 00-11-056
(Filed November 22, 2000)

Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527.

Application 00-10-028
(Filed October 17, 2000)

OPINION GRANTING THE MOTION OF PACIFIC GAS AND ELECTRIC COMPANY WITH RESPECT TO INCREMENTAL COSTS**Summary**

In Decision (D.) 01-09-015, we ordered Pacific Gas and Electric Company (PG&E) to provide the services requested by the California Department of Water Resources (DWR) in order to facilitate DWR's purchase of electricity and to transport and sell the electricity to PG&E's retail customers. PG&E was ordered to comply with the servicing agreement that was proposed by DWR, with certain changes, and which was approved in D.01-09-015.

The servicing agreement set forth the terms and conditions under which PG&E is to provide transmission and distribution of DWR-purchased electricity, as well as billing, collection and related services. As part of the servicing

agreement, DWR agreed to pay PG&E's incremental costs for providing the services associated with the 20/20 rebate program, and for billing services, metering services, and meter reading services.

We expressed concern about the possible overestimate of incremental costs, and stated that we would order subsequent proceedings to review the costs that PG&E charges to DWR, and to determine if those costs are reasonable. We ordered PG&E to file a motion "seeking approval of the basis on which the incremental costs contained in the servicing agreement and charged to DWR were calculated." (D.01-09-015, Ordering Paragraph (OP) 10, p. 26.)

At the subsequent request of DWR, in D.02-05-048 we approved the servicing order for PG&E, and ordered PG&E to comply with the order. The estimate of the incremental costs contained in Attachments F and G of the servicing order are identical to the estimate of those costs in Attachments F and G of the servicing agreement attached to D.01-09-015.

Today's decision grants PG&E's motion and approves the incremental costs charged by PG&E to DWR as reasonable.

Background

On October 1, 2001, PG&E filed its motion in compliance with OP 10 of D.01-09-015. The motion describes the bases upon which the estimated incremental costs to be charged to DWR were calculated. PG&E states that its incremental cost-based charges are designed to recover the costs that it incurs to provide the additional activities that it is currently performing, or would perform, to support DWR's procurement activities, the 20/20 Customer Rebate Program, and other customer care activities. PG&E states that the cost of these additional services were not included in PG&E's existing distribution rates because these costs were not envisioned when PG&E filed its 1999 General Rate

Case application. Since existing rates are not being used to fund the activities needed to deliver these services, PG&E asserts that there is no double recovery.

PG&E states that it has developed cost quality control procedures to ensure that only incremental costs for work performed on behalf of DWR are accumulated. These procedures include the establishment of specific order numbers in PG&E's cost tracking system for each type of work being performed on behalf of DWR. PG&E audits the charges in the orders to ensure that only incremental costs incurred for DWR work are being recorded in the appropriate order. At the end of each month, the amounts charged to the orders are reviewed again to ensure that all of the cost adjustments for the preceding month have been correctly recorded.

The narrative descriptions in PG&E's motion provide supplemental information about the estimated costs of the various services that PG&E will provide to DWR. The cost information provided in the motion reflects the cost information that was contained in Attachments F and G of the servicing agreement, and approved in D.01-09-015 as part of the servicing agreement.

PG&E requests that the Commission approve the basis on which the incremental costs contained in the servicing agreement were calculated.

No one filed any response to PG&E's motion.

Discussion

As we stated in D.01-09-015, we must review the incremental costs that PG&E charges DWR to ensure that they are reasonable. If we determine that the expenses are unreasonable in any part, we will require the utility to reduce its bill to DWR.

PG&E's motion provides supplemental explanations as to how the estimated incremental start-up costs and ongoing costs in Attachments F and G

of the servicing agreement were calculated. We have reviewed the details of the cost estimates contained in the motion and the basis for all of the charges, and have compared the estimates to what was included in Attachments F and G of the servicing agreement, and to Attachments F and G of the servicing order. We conclude that the incremental costs that PG&E bills to DWR for providing services under the servicing order are reasonable. Since we have determined that these incremental costs are reasonable, no further proceedings to review these costs are necessary.

Since this matter is uncontested, and this decision grants the relief requested, the comment period is waived as provided for in Rule 77.7(f)(2).

Findings of Fact

1. D.01-09-015 ordered PG&E to provide DWR with certain services on the terms and conditions of the servicing agreement adopted in that decision.
2. D.01-09-015 expressed concern about the possible overestimate of incremental costs, and ordered PG&E to file a motion to seek approval of the basis on which the incremental costs contained in the servicing agreement and charged to DWR were calculated.
3. PG&E's motion provides a description of the estimated costs of the various services that PG&E will provide to DWR, and reflect the cost information that was contained in Attachments F and G of the servicing agreement and the servicing order.
4. We have reviewed the details of the cost estimates contained in the motion and the basis for all of the charges, and have compared the estimates to Attachments F and G of the servicing agreement and the servicing order.

Conclusions of Law

1. The incremental costs that PG&E bills to DWR for providing services under the servicing order are reasonable.
2. No further proceedings are needed to review the reasonableness of the incremental costs.

O R D E R

IT IS ORDERED that the October 1, 2001 motion of Pacific Gas and Electric Company (PG&E) in compliance with Ordering Paragraph 10 of Decision (D.) 01-09-015 is granted. The bases upon which the incremental costs charged by PG&E to the California Department of Water Resources pursuant to the servicing order approved in D.02-05-048 are deemed reasonable.

This order is effective today.

Dated _____, at San Francisco, California.